

General Information Letter: Base income of a corporation is its federal taxable income, with statutory modifications. No modifications to federal depreciation deductions are required, and so federal depreciation deductions are automatically allowed.

July 9, 2001

Dear:

This is in response to your letter dated June 26, 2001 in which you request a letter ruling. The nature of your request and the information you have provided require that we respond with a General Information Letter (GIL). A GIL is designed to provide general information, is not a statement of Department policy and is not binding on the Department. See 86 Ill. Adm. Code 1200.120(b) and (c), which may be found on the Department's website at www.revenue.state.il.us

In your letter you have stated the following:

Under federal tax rules, attached fixtures to buildings (e.g. recessed lighting, indoor wiring) are to be classified as tangible personal property for purposes of depreciation. This would allow for a 5-year depreciation period instead of the usual 29-year period. Such fixtures are usually considered by states to be real property. Will Illinois change their classification of these objects due to the classification given to them for federal purposes? Meaning, will Illinois come back to us and say, "Since you've classified these objects as TPP for federal filing, we're going to view it the same way?"

RESPONSE

Under the Illinois Income Tax Act ("the IITA" ; 35 ILCS 5/101 *et seq.*) the starting point in the computation of Illinois net income is the taxpayer's properly reportable federal adjusted gross income (individuals) or federal taxable income (other taxpayers). Although certain statutory addition and subtraction modifications must be made to adjusted gross income or taxable income in order to arrive at a taxpayer's Illinois base income, none of these modifications relates to the depreciation deduction allowed by Internal Revenue Code (IRC) section 167. Accordingly, the classification of depreciable property for federal income tax purposes automatically applies for purposes of computing Illinois net income.

In the case you describe, provided the federal depreciation deduction for attached fixtures to buildings is computed upon the classification of 5-year property, the same classification would automatically apply for Illinois income tax purposes.

As stated above, this is a GIL which does not constitute a statement of policy that applies, interprets or prescribes the tax laws, and it is not binding on the Department. If you are not under audit and you wish to obtain a binding Private Letter Ruling regarding your factual situation, please submit all of the information set out in items 1 through 8 of 86 Ill. Adm. Code 1200.110(b). If you have further questions regarding this GIL, feel free to contact me at (217) 782-7055.

Sincerely,

Brian L. Stocker
Staff Attorney (Income Tax)